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Sankaty Advisors

March 2, 2010

Dear Sankaty Credit Opportunities IV Offshore Investor,

We are pleased to report that COPs IV returned 58.1% gross and 42.9% net of all fees and expenses in 2009. In December, the Fund distributed $153 million of income and profits (approximately more than 7% of committed capital), while only having called 60% of the committed capital to date. We are also distributing another $82 million (approximately 4% of committed capital) this week. In its first eighteen months, the Fund has generated a 1.3x net multiple of money and 29.2% net IRR, which has handily outperformed the returns of the S&P/LSTA Loan (+6.5%), JP Morgan High Yield (+11.7%), and S&P 500 (-6.6%) indices over the comparable time period. In short, the Fund has developed as well as we could have hoped and we are excited about the investment opportunities on the horizon.

Market Review

While the 2009 market rally was broad based, how and when one deployed capital made the difference between solid and spectacular returns. The credit markets stabilized in 2009, and after a tough first quarter, the leveraged loan and high yield bond asset classes posted record returns. The "bottoming" of the economy provided an important fundamental catalyst as it enabled the market to identify winners and losers. Market technicals were strong throughout the year as investors plowed into credit from other asset classes, coupled with limited net new supply. What new issuance there was almost exclusively refinanced and extended existing debt, thus no new net supply was created.

Positive catalysts for the market included limited new issuance, the emergence of bond-for-loan take-outs, and reduced default expectations as riskier borrowers secured amend-to-extend loans and covenant relief. The return of some liquidity to the market improved access to capital, which led to a moderation in the current default rate.

As we see it, the market and economic data remains paradoxical. While recent WSJ articles have reported small businesses declining at record pace; economists point to small businesses as the critical driver of economic growth and employment. On the consumer side, spending continues its steady recovery, up 3.5% over the last twelve months returning to peak 2008 levels. However, in February, consumer confidence dropped sharply to its lowest level since April 2009 (17th percentile over the last 43 years). Further compounding the ambiguity of the current economic backdrop, recent reports indicate stabilizing housing prices, while others show new and existing home sales hitting all-time lows. On the macro side, markets continue to punish the Euro for the budget problems of some of its smallest economies, while they now favor the dollar in spite of

the fact that some of the U.S.'s largest states face unprecedented budget shortfalls exacerbating record federal deficits.

What we do know is that these market dichotomies often lead to pockets of opportunity. In 2009, we found compelling investment opportunities created by a lack of DIP financing, a shortage of 2nd lien financing, and a general freeze on middle market lending. Current dislocations on which we are focused include European loan secondaries, private placements globally, traditional restructurings, and restructured equities. In short, anything not liquid and/or complicated commands a significant premium.

We have included in the appendix a slide pack that further elaborates our current view on the factors at work in the credit markets.

Portfolio Review

During the fourth quarter, we continued to rotate the portfolio out of the liquid loans and bonds as they hit our price targets. We redeployed capital into more attractive, but less liquid, distressed opportunities and private financings. In 2009, profits were diversified across investment types and asset classes. The Fund had its most sizeable gains in stressed and distressed investments, most notably Visteon, Nortel, and Outback Steakhouse.

Reflecting on the last two years, we are proud of the way our team remained composed and showed discipline in finding quality investments in the face of unprecedented market panic. The benefit of investing in debt securities is that even during the most uncertain times, good credit work allows you to capture significant upside while minimizing downside. We performed well in every segment of the portfolio, particularly in liquid loans and bonds where our team generated significant alpha. While the mezzanine and structured portfolios exceeded our performance targets, the double digit returns they generated were the lowest of any asset class in the Fund. In the absence of continued spread compression in the public securities space, we expect the high cash generation and refinancing potential of these private investments to drive returns over the coming years.

In 2009, returns on the Fund's loans and bonds continued their strong performance on both an absolute and relative basis. For the year, the bond portfolio returned 235.2% on a gross basis versus the JPM US High Yield Index of 58.9%. During the same time period, the 83.4% gross return on COPs IV's bank loan holdings exceeded the S&P/LSTA Index's return of 51.6%. We took advantage of the rally to realize profits. We also had a notable liquidity event in one of our largest financings, the Weather Channel, where we sold one quarter of our position above par. In the fourth quarter, we rotated into several new distressed situations such as Champion Home Builders and CIT.

2009 COPs IV Offshore Liquid Credit Performance				
	Loans		Bonds	
US	Returns	% Portfolio	Returns	% Portfolio
Sankaty	84.5%	70.8%	285.5%	9.0%
Index	51.6%		58.9%	
Europe				
Sankaty	78.8%	16.9%	97.9%	3.3%
Index	48.5%		67.4%	
Total				
Sankaty	83.4%	87.7%	235.2%	12.3%

In the structured portfolio, we had a significant realization in our Winter Harbor equity investment in the fourth quarter. In just over a year, we generated a 1.7x multiple of money on the investment. The remainder of COPs IV's structured book accounts for approximately 10% of the portfolio and is short duration, with approximately 35% of the investments rolling off in 2010 and another 40% in 2011. During the fourth quarter, we continued to see improvement on the marks for the Fund's CLO debt and equity holdings due to decreasing default and improving recovery expectations.

In our middle market portfolio, company performance has stabilized and our confidence in earnings forecasts has increased considerably. Cost cuts have produced higher than expected EBITDA levels given the sales declines we witnessed in 2009. Some of our early cyclical investments are starting to see a rebound in demand, while our consumer-facing businesses are still awaiting a recovery. Importantly, most of our companies are expecting improved results in 2010. Currently, COPs IV is in the documentation stage for over $200 million in new middle market transactions and illiquidity premiums remain high. We are underwriting new transactions to high-teens (17-20%) returns coupled with lower leverage multiples.

Outlook

We believe that 2010 will be a classic credit pickers market. While the economy appeared to have bottomed, the recovery will take some time, which should result in greater dispersion among the performance of companies with levered capital structures. As we described earlier, the middle market and main street lending are still heavily constrained and present significant potential. Given the number of industries and individual credits that we closely monitor, as well as the wide net that we cast through our middle market, restructuring, and industry teams, we feel we are uniquely positioned to source, diligence, and invest in a variety of opportunities across the credit spectrum that will continue to generate attractive risk-adjusted returns for the Fund.

Attached is a snap shot of the current portfolio and our positioning. As always, we are available to discuss any of this information or answer any questions you may have. Please feel free to contact Kyle Betty (kbetty@sankaty.com) or Jeff Hawkins (jhawkins@sankaty.com) directly.

Sincerely,

Sankaty Advisors

SANKATY CREDIT OPPORTUNITIES IV Offshore, LP
STATISTICAL SUMMARY
(as of December 31, 2009)

STATISTICAL ANALYSIS*[1,2]

	Q409 Gross Return	Q409 Net Return	2009 Gross Return	2009 Net Return	Annualized ITD Net Return	Sharpe Ratio
Sankaty Credit Ops IV Offshore	6.6%	4.7%	58.1%	42.9%	17.6%	1.8
S&P 500 (w/ dividends)	6.0%	6.0%	26.5%	26.5%	-6.6%	-0.2
JPM Index	6.3%	6.3%	58.9%	58.9%	11.7%	0.6
LSTA Loan Index	3.8%	3.8%	51.6%	51.6%	6.5%	0.4

* Net returns are net of all fees, expenses and carry.

TOP TEN ISSUERS[3]

Top 10 Issuers (excluding Mezz & Structured)

Issuer	Fund Net Equity %
Lyondell	2.2%
CIT Group	2.1%
Frontier Drilling	1.9%
Kabel Deutschland	1.9%
Cooper-Standard	1.9%
Visteon	1.8%
ATP Oil & Gas	1.7%
Seven Media	1.7%
Outback Steak House	1.6%
Ford	1.6%

Top 5 Mezzanine Issuers

Issuer	Fund Net Equity %
Weather Channel	4.0%
Turner Brothers	2.2%
Rotorcraft	1.8%
Liberty Dialysis	1.6%
LLOG Exploration Company, L.L.C.	1.3%

Top 5 Structured Issuers

Issuer	Fund Net Equity %
Plum Island III	2.9%
Beach Street V	2.4%
Beach Street IV	1.6%
Thomas Point VI	1.0%
Thomas Point II	0.9%

FUND NET EQUITY ($m)

	09/30/09	Profits	Net Contributions/ (Distributions)	12/31/09
Partners' Capital	$1,587.2	$94.6	-$197.1	$1,484.7

BALANCE SHEET (MV in $m)

	Long (A)	Short (B)	Net (A)-(B)	Gross (A)+(B)
By Asset Class				
Cash*	$348.5	$0.0	$348.5	$348.5
Loans	550.1	0.0	550.1	550.1
Bonds	191.3	11.4	179.9	202.7
CDS/LCDS[3]	19.3	62.3	-43.0	81.6
Mezzanine (Private Debt)	286.6	0.0	286.6	286.6
Equity (Public & Private)	121.2	0.0	121.2	121.2
Structured[3]	193.2	0.0	193.2	193.2
	$1,710.2	$73.7	$1,636.5	$1,783.9
By Region				
North America	$1,151.5	$47.9	$1,103.6	$1,199.4
Europe	182.8	25.8	157.0	208.6
Other	27.4	0.0	27.4	27.4
	$1,361.7	$73.7	$1,288.0	$1,435.4
By Industry				
Non-Industry Specific	$211.1	$0.0	$211.1	$211.1
Oil and Gas	123.0	0.0	123.0	123.0
Financial Intermediaries	116.1	6.6	109.5	122.7
Automotive	123.8	25.8	98.0	149.6
Cable Television	86.6	0.0	86.6	86.6
Broadcast Radio and Television	62.4	0.0	62.4	62.4
Building and Development	59.8	0.0	59.8	59.8
Air Transportation	56.4	0.0	56.4	56.4
Retailers (other than food/drug)	46.2	0.0	46.2	46.2
Business Equipment and Services	43.6	0.0	43.6	43.6
Other	432.7	41.3	391.4	474.0
	$1,361.7	$73.7	$1,288.0	$1,435.4
Exposure (% of Equity)**	91.7%	5.0%	86.7%	96.7%

*Includes restricted cash
**Exposure % is based off of total assets excluding cash

[1] Portfolio returns are computed based on the change in value during the period of a theoretical investment made at the beginning of the period. The change in value of a theoretical investment is measured by comparing the aggregate ending value of Limited Partners with the aggregate beginning value adjusted for cash flows related to capital contributions or withdrawals during the period. Returns are geometrically linked on a monthly basis. Investment performance results depict the return of the Limited Partners of the Partnership as a whole. Returns of individual Limited Partners may differ based on the timing of contribution to or withdrawal from the Partnership. Investment performance reflects the reinvestment of profits, dividends and income. Net returns are stated net of all fees, expenses and carry (see footnote 2). Returns are estimated as of December 31, 2009 and are stated before the finalization of annual financial statements. As with all unaudited estimates, these estimates are subject to uncertainties and variations and may not be predictive of final results once audited. Actual outcomes and results may differ materially from the returns indicated herein.

[2] Generally, the General Partner is entitled at year-end to a carry allocation equal to 20% of Net Profits for such fiscal year as discussed in the Limited Partnership Agreement. For purposes of presentation herein, the carry allocation has been included as a periodic expense and has been calculated on the Net Profits for the period. The Management Fee is a quarterly fee paid to Sankaty Advisors, LLC generally equal to 2% of each Limited Partner's capital account at the beginning of each quarter.

[3] Single name CDS/LCDS, Index CDX/LCDX, Tranche CDX/LCDX and Structured CDS included at maximum loss amount.